

VZCZCXRO2007

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C O N F I D E N T I A L HAVANA 000752

SIPDIS

DEPT FOR WHA/CCA

E.O. 12958: DECL: 09/11/2018

TAGS: [ECON](#) [PGOV](#) [PINR](#) [PREL](#) [CU](#)

SUBJECT: IN THE MIDST OF DESPAIR, A HIKE IN GAS PRICES

REF: HAVANA 739

Classified By: COM Jonathan Farrar for reasons 1.4 (b) and (d)

¶1. (U) As eastern Cuba battled hurricane Ike and the western part of the island prepared for its second major hurricane in eight days, the Government of Cuba announced on September 8 a significant increase in prices for gasoline and diesel, effective immediately. The GOC raised the price of regular gasoline (used by most Cubans) 69 percent to the equivalent of USD 5.60 per gallon and the price of diesel (used by trucks delivering goods to market) 87 percent to USD 5.80 per gallon. Although few Cubans have cars, the increase in gas prices will affect the operation of private taxis (legal and illegal), increase the price of agricultural goods in the local farmers' markets, and limit the ability of private Cubans to visit and assist family members recovering from the hurricanes.

¶2. (U) Noting that the international price of oil has multiplied since the last price hike in 2005, the GOC announcement claimed that at current gas prices and 2007 consumption rates the government would lose close to USD 420 million in 2008. The government further announced that the prices will now be updated every three months according to the hydrocarbon market fluctuations. The last price increase was in January 2005 for diesel only, following a May 2004 increase in diesel and regular prices.

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COMMENT

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¶3. (C) A gas price hike was long overdue and we had heard rumors that the GOC was contemplating an increase in the middle of the steady climb of oil prices back in June. The magnitude of this week's announcement was much greater than expected, considering the 2004 and 2005 increases were between 6 and 36 percent. The timing of the announcement is also curious, as hurricane Ike crossed (and crushed) Cuba and international oil prices dropped close to USD 100 per barrel. The GOC may have wished to hide this difficult decision, after years of official news reports highlighting rising prices in other countries. Such a large increase will not go unnoticed, but will move even more consumers to the black market and further frustrate a populace searching for food and other supplies desperately needed to rebuild their lives.  
FARRAR